OVERVIEW OF INTERNAL AUDIT 2082
(No.16 February 2016)

The California Department of Forestry and Fire Protection (CAL FIRE) Office of Program Accountability (OPA) is an independent appraisal entity established to conduct audits/reviews of CAL FIRE's internal controls, report opportunities for improvement, and make recommendations to management.

REFERENCE(S) 2082.1
(No.16 February 2016)

California Government Code Section 13886.5 (a)
The Institute of Internal Auditors' International Standards for the Professional
  Practices of Internal Auditing
OPA Audit Manual

GENERAL PROVISIONS 2082.2
(No.16 February 2016)

OPA assists CAL FIRE management by offering guidance in developing, maintaining, and enhancing accountability and providing independent and objective feedback on internal controls. OPA works with CAL FIRE employees supportively and cooperatively. OPA staff performs audit work with stringent accountability by adhering to auditing standards. OPA audit activities are conducted in compliance with applicable laws, rules, regulations, and both State of California and CAL FIRE policies and procedures.

Audit Standards

California Government Code requires all State agencies that have their own internal auditors or that conduct internal audits or internal audit activity shall conduct internal audit activity under the general and specified standards of internal auditing prescribed by the Institute of Internal Auditors or the Government Audit Standards issued by the Comptroller General of the United States, as appropriate.

OPA utilizes the Institute of Internal Auditor's Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing when performing internal audits.

PROCEDURES 2082.3
(No.16 February 2016)

The Department's internal audit entity generally divides the audit process into five phases: 1) Background, 2) Planning, 3) Fieldwork, 4) Reporting, and 5) Follow-Up.

The *background* phase involves a great deal of research including, but not limited to, documentation review and preliminary discussions with subject matter experts. Audit staff typically complete assessments of independence, preliminary surveys, workflow charting, fraud and/or internal control assessments, and risk analysis depending on the type of engagement performed (i.e., consulting engagement or assurance audit).

During the *planning* phase, audit staff typically refines the risk assessment to create audit objectives, define the audit universe, determine the scope of the audit and testing period, and select testing samples. Audit staff also allocates resources for each audit phase, establishes benchmarks, and projects estimated completion dates during planning.

A formal entrance conference is hosted at the beginning of *fieldwork* to explain the audit's purpose, objectives, scope, authority, duration, and reporting process. During fieldwork, audit staff performs substantive tests, examines records and documentation, conducts interviews, observes operations, and gathers and evaluates evidence. Working papers will be finalized and a formal exit conference will be hosted to communicate results at the end of fieldwork.

The purpose of *reporting* is to communicate the engagement results. For assurance audits, typically a draft audit report is disseminated to the audit client for review. Responses addressing areas of concurrence or disagreement with the findings and/or recommendations are incorporated into the final audit report. Audit staff may provide additional evaluative commentary depending on the responses received. The final audit report is distributed and posted on the CAL FIRE Intranet. In some instances, engagement outcomes may result in a management letter or other form of communication. Furthermore, consulting engagements may follow a slightly different process for all phases.

A corrective action plan (CAP) is required from the audit client for *follow-up* related to assurance audits within 30 days of the final audit report being issued. Audit staff will conduct follow-up to determine if mitigating measures have been taken until an agreed upon implementation date has been reached or management has assumed the risk of not implementing recommendations. Outstanding findings and recommendations are tracked in a follow-up log and reported to the Director and Chief Deputy Director annually.

To obtain more details on the audit process, please refer to the OPA Audit Manual posted on OPA's webpage on the CAL FIRE Intranet.